

WRITTEN STATEMENT OF
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BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
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Mr. Chairman and members of the Committee, good morning. My name is Jerry Edgerton. I am the Senior Vice President of MCI's Government Markets division. I want to thank you for the opportunity to provide you with MCI's comments regarding the Government's strategy for Networx, its next generation program for providing telecommunications and network services to Federal departments and agencies.

The existing federal telecommunications program, FTS 2001, has been very successful in meeting the changing and expanding telecommunications needs of federal government agencies. The world, as well as the mission of many government agencies, has changed since the FTS 2001 contract was awarded in 1999, and the Federal Telecommunications Service (FTS) has

delivered on its promise to support increasingly complex communications needs. The FTS has been quick to respond to agency requirements by adding new services to support security, citizen access to services, and continuity of operations.

Furthermore, the GSA has delivered on its promise to provide value for government users. According to GSA's FY2003 Annual Performance and Accountability Report, the FTS 2001 program saved taxpayers \$574 million in 2003 and more than \$1.6 billion over the life of the contract. The report further states that FTS 2001 prices are 53% lower than comparable services purchased by large commercial clients.

MCI strongly believes that the Networx structure being proposed by the General Services Administration (GSA) will continue to provide the flexibility, innovation, technology refreshment and value that agencies need to perform mission-critical operations.

MCI's Record of Delivering Benefits to Government Users

MCI is a leading global communications provider and operates the industry's most expansive global IP backbone. MCI develops the converged communications products and services that are the foundation

for commerce and communications in today's market. In addition, MCI is one of the largest telecommunications providers to the U.S. Government both as an FTS 2001 vendor and as a provider under numerous other federal contracts. MCI supports more than seventy-five federal agencies and has designed and implemented some of the most complex government networks in the world.

Our guiding principle is to make sure that government users get the full benefits of the competition on which MCI thrives – world-class service quality, the best available technology, and innovative problem-solving – all at a competitive price. And MCI has delivered - providing quality innovation and over one billion dollars of savings over the life of the contract under FTS 2001.

The Networx Program is on the Right Track

MCI attended the GSA-sponsored Networx Industry Day on August 11 and believes that the GSA provided a clear and detailed profile of the Government's Networx strategy. We look forward to continuing to work with the GSA toward the issuance of the draft RFP early in November. The strategy briefing resolved most of our outstanding questions about the

general direction of the program, with a few exceptions that I will note later in my remarks.

MCI believes that the GSA has been inclusive and diligent in soliciting input from all the stakeholders in the Networx project. Importantly, GSA has focused on the needs and expectations of their agency customers. The Networx strategy outlined by GSA last month demonstrates a careful, detailed evaluation of all the comments and issues while keeping the focus on low cost, efficiency and technological advancement.

The FTS plan will maximize benefits to agencies and taxpayers because of several critical features:

- **Competing two separate Networx contracts – *Universal* and *Enterprise*.** MCI supports the FTS commitment to provide agencies with choices in addressing their telecommunications and network requirements. The *Universal* contract allows agencies to procure the full range of telecommunications and network services by choosing from among a set of capable teams. The *Enterprise* contract further allows agencies the option of addressing additional telecommunications and network needs by choosing from among a range of more specialized

providers. Offering two separate contracts recognizes the fact that one size does not fit all in the Federal networks arena.

At the Committee's February hearing, some industry voices opposed the FTS plan to conduct the Networx procurement approximately nine months apart. FTS addressed the timing issue and now plans to conduct the procurements simultaneously.

The *Enterprise* procurement also offers small and disadvantaged businesses an additional opportunity to compete for government business. Under the FTS 2001 contract, MCI successfully engaged many small businesses to deliver complex technologies and customer service. For example, Concert Technologies of Dulles, Virginia was a key contributor in the transition from FTS 2000 to FTS 2001 and continues to work with MCI as an active partner on the program. While MCI will once again offer small businesses opportunities to participate on our Networx team, the *Enterprise* procurement offers small business an additional entry into the federal government space.

- **Demanding continuity of service on the *Universal* contract.** Most agencies don't have the specialized technical staff, budget, time, or systems and processes required to procure services from multiple

vendors. Many agencies desire to procure services from a single contractor who will provide all required network services to all agency locations worldwide. It is extremely difficult for an agency to seamlessly integrate different services from different providers in different geographical areas. With the convergence of voice, data and video over IP networks, continuity of service becomes especially important so that agencies can obtain the performance and cost benefits of a single network. The continuity requirement in the Networkx proposal will save most agencies time and money and allow them to focus their resources on their mission-critical activities.

- **Streamlining the required Networkx Management and Operations Support (MOPS) requirements.** FTS listened to industry and found an appropriate compromise between agency requirements and industry capabilities in the redefined MOPS requirements. This will allow agencies with extensive detailed billing and operational requirements to receive the level of support that is needed without raising the cost of doing business for all users. The draft Networkx RFP will provide more detailed guidance on the MOPS requirements and MCI will provide further comments in its reply submission.

- **Mandating a fixed set of service capabilities on both the *Universal* and *Enterprise* contracts.** Agencies are best served by having access to a comprehensive set of services supplied by a single vendor team. Agencies would be ill served by having to put together workable network solutions using a jigsaw puzzle of mismatched parts from different vendors. FTS correctly concluded that suggestions by some in industry that “program flexibility,” convenient for service providers that do not offer a comprehensive set of network services, would not be beneficial for the Government. Such “flexibility” would leave most agencies facing higher prices to fill gaps in service.

MCI’s Concerns Regarding Unresolved Networx Issues

MCI, however, has concerns about two major unresolved issues that could negatively impact the ability of the Government to obtain the best possible pricing under Networx and on the effectiveness and viability of the program. First, FTS has not clearly set forth the number of awardees under either the *Universal* or the *Enterprise* procurements. Second, FTS has not offered many details on its proposal to add telecommunications services to the Federal Supply Schedule program. On these outstanding issues, MCI makes the following recommendations:

- **The Government should set clear limits on the number of Networx contract awards.** Networx, like FTS2001, can provide agency users with the lowest possible prices by aggregating the massive volume of service demand from much of the federal government onto a single contract vehicle. FTS should maximize competition by encouraging as many bids as possible from potential service providers but must limit the number of awardees. Unless the Government places meaningful limits on the number of Networx contract awards, industry will not be able to give FTS its best prices.

In order for the Government to lock in rock-bottom rates for the contract's 10-year term, providers must be confident in their ability to win a certain level of revenue. The greater the number of awardees, the less business that each awardee will be able to capture and the more the Government's purchasing power is diluted. While MCI supports the FTS decision to eschew large Minimum Revenue Guarantees in the Networx program, the absence of high guarantees necessitates a limit on the number of awardees.

FTS must strike a balance between giving agencies a wide choice of providers and coaxing the lowest possible rock-bottom bid prices from

industry and set a meaningful limit on the number of awards under the Networx contracts.

- **The Government should place clear limits on the number and types of services that will be included on the Federal Supply Schedule (FSS).** GSA has discussed a major change in policy by including telecommunications services on their multiple-award Federal Supply Schedule program. MCI supports inclusion of commodity-like services on the FSS and testified in support of this change at the Committee's February 26 hearing. However, MCI believes it is important that the Government place clear limits on the number and type of services that are included on the FSS.

For example, simple inbound 800 services have become a well established commodity and could be included on the FSS. However, more complex "enhanced" 800 services like Intelligent Routing should not be treated as a commodity. These enhanced services should be placed under the Networx umbrella to ensure service quality, enable comparisons between vendor offerings, and allow FTS oversight of vendor performance.

Furthermore, in the absence of clear, precise definitions, the FSS program will create uncertainty for Networx bidders by creating an unpredictable and uncontrollable “back door” post-award path for entry into the federal telecommunications space. Again, in order to make the business case for the lowest possible, rock-bottom prices, Networx bidders must have a level of certainty as to the number and types of services – and, thereby, the potential revenue – under the contract.

Conclusion

In conclusion, I want to assure this Committee and the Government that MCI is fully committed to ensure the continued success of FTS2001 and the future success of Networx. Over the years, through good times and bad, MCI has maintained its steadfast commitment to our Government customers. We have delivered superior network performance and customer service while introducing integrated solutions that enhanced government productivity and efficiency. MCI will continue to provide the latest technologies, excellent service, and great prices to our nation’s agencies and military services.

GSA’s plans for the Networx procurement are on the right track. It will require companies like MCI to compete like never before, and it will force our rivals to do the same. But that’s really the whole point of the exercise

and the only way to guarantee that federal agencies and taxpayers get the best deal possible.

Thank you.